

## PROGRAM VI: DEBT SERVICE

### SUMMARY OF APPROPRIATIONS AND REVENUES

Agency	Agency Name	FY 2004 - 2005 Appropriations	FY 2004 - 2005 Revenue	FY 2004 - 2005 Net County Cost
016	Recovery COP Lease Financing	65,979,848	65,979,848	0
019	Capital Acquisition Financing	8,855,546	6,074,391	2,781,155
	GENERAL FUND TOTAL	74,835,394	72,054,239	2,781,155
14V	Debt Prepayment	94,045,566	94,045,566	0
15J	Pension Obligation Bonds Debt Service	17,102,523	17,102,523	0
15P	Refunding Recovery Bonds	60,353,925	60,353,925	0
15Q	Pension Obligation Bond Amortization	11,185,057	11,185,057	0
15W	1996 Recovery Certificates of Participation (A)	3,148,596	3,148,596	0
599	O. C. Special Financing Authority Debt Service	73,265,260	73,265,260	0
9C0	Debt Service	253,979,194	253,979,194	0
	NON-GENERAL FUND TOTAL	513,080,121	513,080,121	0
	TOTAL DEBT SERVICE	587,915,515	585,134,360	2,781,155

## 016 - RECOVERY COP LEASE FINANCING

### Operational Summary

#### Description:

Make timely debt service payments on the 1996 Recovery Certificates of Participation (COPs) Series "A."

The 1996 Recovery COPs were sold in June 1996 to raise funds to pay the County's creditors. The issue amount was \$760,800,000, current outstanding principal (as of July 1, 2004) is \$580,825,000.

Debt service is paid from revenues diverted annually by State Statute for this purpose. The diverted revenues include the transportation portion of the Bradley Burns sales tax (\$38 million), Flood Control Property Tax (\$4 million), Harbors, Beaches and Parks Property Tax (\$4 million), and Redevelopment Agency Property Tax (\$4 million). Additionally this fund receives revenue from imported trash (see Fund 285) deposited in the County landfills. The 1996 Recovery COPs will be paid off in July 2026.

Any funds not needed to pay debt service are transferred from this agency to Fund 14A, Option "B" Pool Participants and Fund 15Z, Plan of Adjustment Available Cash.

#### At a Glance:

Total FY 2003-2004 Actual Expenditure + Encumbrance:	67,844,355
Total Final FY 2004-2005 Budget:	65,979,848
Percent of County General Fund:	2.66%
Total Employees:	0.00

#### Strategic Goals:

- Make timely debt service payments on the outstanding 1996 Recovery Certificates of Participation.

#### FY 2003-2004 Key Project Accomplishments:

- Made timely debt service payments.

### Budget Summary

#### Plan for Support of the County's Strategic Priorities:

Make timely debt service payments on the 1996 Recovery Certificates of Participation and transfer surplus funds to the Plan of Adjustment Available Cash Fund 15Z.

## Final Budget and History:

Sources and Uses	FY 2002-2003 Actual Exp/Rev	FY 2003-2004 Budget As of 6/30/04	FY 2003-2004 Actual Exp/Rev <sup>(1)</sup> At 6/30/04	FY 2004-2005 Final Budget	Change from FY 2003-2004 Actual	
					Amount	Percent
Total Revenues	68,178,022	67,844,356	67,844,355	65,979,848	(1,864,507)	-2.75
Total Requirements	68,178,022	67,844,356	67,844,355	65,979,848	(1,864,507)	-2.75
Net County Cost	0	0	0	0	0	0.00

(1) Amounts include prior year expenditures and exclude current year encumbrances. Therefore, the totals listed above may not match Total FY 2003-04 Actual Expenditure + Encumbrance included in the "At a Glance" section.

Detailed budget by expense category and by activity is presented for agency: Recovery COP Lease Financing in the Appendix on page 450.

## 019 - CAPITAL ACQUISITION FINANCING

### Operational Summary

#### Description:

To make timely debt service payments on the 2002 Juvenile Justice Center (JJC) Refunding Bonds, the 2001 Telecommunications Equipment Project Lease Revenue Bonds, and to make trustee payments for other refunded bonds.

The 1992 JJC COPs were sold to refund a 1989 COP, the proceeds of which were used to construct the Betty Lou Lamoreaux Juvenile Justice Center, Juvenile Hall Administration Facility, Juvenile Intake Facility, and parking structures. Debt service on the 1992 COPs is about 85% revenue offset from court construction revenue, the remainder is a net county cost.

The 2002 JJC Refunding Bonds issue amount was \$80,285,000, as of June 1, 2004 the outstanding principal balance will be \$73,395,000. The 2002 Bonds will be paid off in 2019. The 2001 Telecommunications equipment lease revenue bonds were sold to acquire and install the County's telecommunications infrastructure. The 2001 Telecommunications lease revenue bonds issue amount was \$10,330,000. As of June 1, 2004, the outstanding principal balance will be \$7,660,000.

#### At a Glance:

Total FY 2003-2004 Actual Expenditure + Encumbrance:	8,486,033
Total Final FY 2004-2005 Budget:	8,855,546
Percent of County General Fund:	0.36%
Total Employees:	0.00

#### Strategic Goals:

- Make timely debt service payments on 1992 Refunding Juvenile Justice Center Certificates of Participation and 2001 Telecommunications equipment project.

#### FY 2003-2004 Key Project Accomplishments:

- Made timely debt service payments.

**CAPITAL ACQUISITION FINANCING** - Capital acquisition financing using certificates of participation.

**2002 JJC REFUNDING BONDS** - Lease payments and trustee activity for the 1992 Refunding Juvenile Justice Center Certificates of Participation.

**INTEGRATED COURT MGT SYS PHAS3** - Trustee activity on the 1997 Integrated Court Management System Phase III Certificates of Participation.

## Budget Summary

### Final Budget and History:

Sources and Uses	FY 2002-2003 Actual Exp/Rev	FY 2003-2004 Budget As of 6/30/04	FY 2003-2004 Actual Exp/Rev <sup>(1)</sup> At 6/30/04	FY 2004-2005 Final Budget	Change from FY 2003-2004 Actual	
					Amount	Percent
Total Revenues	7,665,849	7,874,237	6,647,283	6,074,391	(572,892)	-8.62
Total Requirements	8,448,208	8,855,715	8,486,033	8,855,546	369,513	4.35
Net County Cost	782,359	981,478	1,838,750	2,781,155	942,405	51.25

(1) Amounts include prior year expenditures and exclude current year encumbrances. Therefore, the totals listed above may not match Total FY 2003-04 Actual Expenditure + Encumbrance included in the "At a Glance" section.

Detailed budget by expense category and by activity is presented for agency: Capital Acquisition Financing in the Appendix on page 454.

## 14V - DEBT PREPAYMENT

### Operational Summary

#### Description:

To reduce the General Fund debt burden. As of June 30, 2004, there is \$926.3 million outstanding in General Fund debt, of this amount \$833.66 million is from the bankruptcy recovery and \$92.6 million for non-bankruptcy.

This fund was created by Board of Supervisors action on October 20, 1999 which transferred \$27.1 million from the Debt Repayment reserve to this new fund. Subsequently, the annual strategic financial plans, corresponding budgets and bankruptcy litigation settlements have added money to this fund. The County has redeemed or defeased \$363.6 million in outstanding debt since 1998.

#### Strategic Goals:

- To eliminate or reduce the debt service burden on the General Fund. Recent historically low interest rates have made early redemption of additional debt economically unfeasible.

### Budget Summary

#### Plan for Support of the County's Strategic Priorities:

The 2004 Strategic Financial Plan adopted by the Board on June 29, 2004 does not provide for adding additional monies to this fund. However, the Board of Supervisors did allocate \$3.7 million from the Yorba Linda Redevelopment settlement to this fund bringing the total to \$98 million. The \$98 mil-

The next possible target for reduction or restructuring are the outstanding 1995 Refunding Recovery Bonds and the 1996 Recovery COPS.

#### At a Glance:

Total FY 2003-2004 Actual Expenditure + Encumbrance:	0
Total Final FY 2004-2005 Budget:	94,045,566
Percent of County General Fund:	N/A
Total Employees:	0.00

lion in the fund will remain and will be used to pay for early redemption of the 1995 Recovery Bonds if and when that strategy is in the best long-range interests of the County General Fund. A detailed analysis of the debt reduction options is currently underway. This process will assist the County in determining the most optimal strategy.

## Final Budget and History:

Sources and Uses	FY 2002-2003 Actual Exp/Rev	FY 2003-2004 Budget As of 6/30/04	FY 2003-2004 Actual Exp/Rev <sup>(1)</sup> At 6/30/04	FY 2004-2005 Final Budget	Change from FY 2003-2004 Actual	
					Amount	Percent
Total Revenues	95,125,019	97,795,566	97,795,566	94,045,566	(3,750,000)	-3.83
Total Requirements	1,190,889	97,795,566	0	94,045,566	94,045,566	0.00
FBA	93,934,130	0	97,795,566	0	(97,795,566)	-100.00

(1) Amounts include prior year expenditures and exclude current year encumbrances. Therefore, the totals listed above may not match Total FY 2003-04 Actual Expenditure + Encumbrance included in the "At a Glance" section.

Detailed budget by expense category and by activity is presented for agency: Debt Prepayment in the Appendix on page 571.

## 15J - PENSION OBLIGATION BONDS DEBT SERVICE

### Operational Summary

#### Description:

This fund is used to record the debt service payments on the County's Pension Obligation Bonds: Series 1994A, Refunding Series 1996A and Refunding Series 1997A. These bonds are a General Fund obligation.

On October 20, 1999 the Board of Supervisors directed the CEO to proceed with actions necessary to eliminate this debt obligation. On March 31, 2000 and June 11, 2000, the County purchased through a tender offer 45% of the outstanding bonds, about \$288.3 million, and then cancelled them. The cost of the purchase was about \$179.0 million.

The remaining Pension Obligation Bonds with a par value of \$350,823,000, were successfully prepaid through an economic defeasance on June 22, 2000. Available funds, including the FY 1999-00 Tobacco Settlement Revenue allocation to the County, were irrevocably pledged for payment, in full, of the bonds and invested in AAA rated debt securities issued by the Federal Home Loan Bank, Federal National Mortgage Association (FNMA). The FNMA securities, along with cash on hand, will be sufficient to pay principal and interest on the bonds when due and payable.

The FY 2004-2005 budget for this fund contains appropriations to record the debt service payments made by the bond trustee from the defeasance escrow fund. There is no "out-of-pocket" payment required from the County.

#### At a Glance:

Total FY 2003-2004 Actual Expenditure + Encumbrance:	14,672,840
Total Final FY 2004-2005 Budget:	17,102,523
Percent of County General Fund:	N/A
Total Employees:	0.00

#### Strategic Goals:

- To record debt service payments made by the trustee on the defeased Pension Obligation Bonds.

### Budget Summary

#### Final Budget and History:

Sources and Uses	FY 2002-2003 Actual Exp/Rev	FY 2003-2004 Budget As of 6/30/04	FY 2003-2004 Actual Exp/Rev <sup>(1)</sup> At 6/30/04	FY 2004-2005 Final Budget	Change from FY 2003-2004 Actual	
					Amount	Percent
Total Revenues	190,025,576	172,999,088	173,025,126	17,102,523	(155,922,603)	-90.12
Total Requirements	26,066,488	172,999,088	165,065,075	17,102,523	(147,962,552)	-89.64
FBA	163,959,088	0	7,960,051	0	(7,960,051)	-100.00

(1) Amounts include prior year expenditures and exclude current year encumbrances. Therefore, the totals listed above may not match Total FY 2003-04 Actual Expenditure + Encumbrance included in the "At a Glance" section.

Detailed budget by expense category and by activity is presented for agency: Pension Obligation Bonds Debt Service in the Appendix on page 582.



## 15P - REFUNDING RECOVERY BONDS

### Operational Summary

#### Description:

To make timely debt service payment on the outstanding 1995 Refunding Recovery Bonds.

This fund was created by Board action on June 13, 1995 to distribute the proceeds from the 1995 Refunding Recovery Bonds to the pre-bankruptcy investment pool participants and to make debt service payments. The debt service payments for the bonds are made through an "intercept" by the State Controller of a portion of the County's share of Motor Vehicle License Fee revenue which is then paid directly to the bond trustee.

The original principal amount of the bonds was \$278,790,000, however on June 29, 1998, \$31,335,000 in outstanding principal was defeased through the use of money in a reserve approved by the Board for debt pre-payment. There is currently an outstanding principal balance of \$225,870,000 as of June 30, 2004. See also Debt Prepayment Fund 14V.

#### At a Glance:

Total FY 2003-2004 Actual Expenditure + Encumbrance:	29,571,956
Total Final FY 2004-2005 Budget:	60,353,925
Percent of County General Fund:	N/A
Total Employees:	0.00

#### Strategic Goals:

- Make timely debt service payments on the outstanding 1995 Refunding Recovery Bonds.

#### FY 2003-2004 Key Project Accomplishments:

- Made timely debt service payments.

### Budget Summary

#### Plan for Support of the County's Strategic Priorities:

Continue to make timely debt service payments.

#### Final Budget and History:

Sources and Uses	FY 2002-2003 Actual Exp/Rev	FY 2003-2004 Budget As of 6/30/04	FY 2003-2004 Actual Exp/Rev <sup>(1)</sup> At 6/30/04	FY 2004-2005 Final Budget	Change from FY 2003-2004 Actual	
					Amount	Percent
Total Revenues	52,723,099	59,449,578	59,819,546	60,353,925	534,379	0.89
Total Requirements	23,017,661	59,449,578	56,793,220	60,353,925	3,560,705	6.27
FBA	29,705,438	0	3,026,325	0	(3,026,325)	-100.00

(1) Amounts include prior year expenditures and exclude current year encumbrances. Therefore, the totals listed above may not match Total FY 2003-04 Actual Expenditure + Encumbrance included in the "At a Glance" section.

Detailed budget by expense category and by activity is presented for agency: Refunding Recovery Bonds in the Appendix on page 586.

# 15Q - PENSION OBLIGATION BOND AMORTIZATION

## Operational Summary

### Description:

To record the use of the County's investment account held by the Orange County Retirement System (OCERS) for normal and unfunded accrued actuarial liability (UAAL) costs.

In 1994 taxable Pension Obligation Bonds were sold to finance the County's UAAL obligation. The County deposited \$318.3 million in an investment account held by OCERS. The investment account is a part of the OCERS investment pool and as such earns the same rate of return.

The investment account was initially used to make annual payments to satisfy the County's UAAL obligation according to a 15-year amortization schedule in lieu of County cash contributions; however, in 1996 the County and OCERS concluded an agreement by which the UAAL is amortized according to a 28-year schedule and the investment account is used to pay an annually declining portion of the County's normal cost obligation.

### At a Glance:

Total FY 2003-2004 Actual Expenditure + Encumbrance:	33,308,572
Total Final FY 2004-2005 Budget:	11,185,057
Percent of County General Fund:	N/A
Total Employees:	0.00

### Strategic Goals:

- Use of the County's investment account in the Orange County Employees Retirement System to mitigate cash contributions for normal and unfunded accrued actuarial pension costs.

## Budget Summary

### Final Budget and History:

Sources and Uses	FY 2002-2003 Actual Exp/Rev	FY 2003-2004 Budget As of 6/30/04	FY 2003-2004 Actual Exp/Rev <sup>(1)</sup> At 6/30/04	FY 2004-2005 Final Budget	Change from FY 2003-2004 Actual	
					Amount	Percent
Total Revenues	39,464,187	26,702,048	33,308,572	11,185,057	(22,123,515)	-66.42
Total Requirements	38,914,262	33,312,048	33,308,572	11,185,057	(22,123,515)	-66.42
Net County Cost	549,925	(6,610,000)	0	0	0	0.00

(1) Amounts include prior year expenditures and exclude current year encumbrances. Therefore, the totals listed above may not match Total FY 2003-04 Actual Expenditure + Encumbrance included in the "At a Glance" section.

Detailed budget by expense category and by activity is presented for agency: Pension Obligation Bond Amortization in the Appendix on page 587.

# 15W - 1996 RECOVERY CERTIFICATES OF PARTICIPATION (A)

## Operational Summary

### Description:

This fund recorded the receipt of proceeds from the 1996 Recovery Certificates of Participation Series A, payments to creditors and transfers to other funds in accordance with the County's Second Amended Modified Plan of Adjustment, approved by the United States Bankruptcy Court in June 1996. Surplus funds not needed for outstanding obligations are transferred to the General Fund.

### At a Glance:

Total FY 2003-2004 Actual Expenditure + Encumbrance:	2,881
Total Final FY 2004-2005 Budget:	3,148,596
Percent of County General Fund:	N/A
Total Employees:	0.00

## Budget Summary

### Plan for Support of the County's Strategic Priorities:

Maintain sufficient funds for unresolved bankruptcy claims.

### Final Budget and History:

Sources and Uses	FY 2002-2003 Actual Exp/Rev	FY 2003-2004 Budget As of 6/30/04	FY 2003-2004 Actual Exp/Rev <sup>(1)</sup> At 6/30/04	FY 2004-2005 Final Budget	Change from FY 2003-2004 Actual	
					Amount	Percent
Total Revenues	3,096,217	3,137,143	3,130,308	3,148,596	18,288	0.58
Total Requirements	4,074	3,137,143	2,881	3,148,596	3,145,715	109,206.13
FBA	3,092,143	0	3,127,428	0	(3,127,428)	-100.00

(1) Amounts include prior year expenditures and exclude current year encumbrances. Therefore, the totals listed above may not match Total FY 2003-04 Actual Expenditure + Encumbrance included in the "At a Glance" section.

Detailed budget by expense category and by activity is presented for agency: 1996 Recovery Certificates of Participation (A) in the Appendix on page 590.

## 599 - O. C. SPECIAL FINANCING AUTHORITY DEBT SERVICE

### Operational Summary

#### Description:

To make timely debt service payments on the 1995 Orange County Special Financing Authority Teeter Plan Revenue Bonds and to transfer surplus revenues to County General Fund 100 Agency 016 as provided for in the Second Amended Modified Plan of Adjustment. The surplus transfer to Agency 016 ended in FY 2000-2001, future surplus transfers will be made to Fund 100, Agency 100.

In 1995 the Orange County Special Financing Authority issued \$155,000,000 of revenue backed bonds: Series A (taxable) \$32,375,000; Series B, \$20,625,000; Series C, \$34,000,000; Series D, \$34,000,000; and Series E, \$34,000,000. The proceeds of the bonds were used to pay the holders of the County's 1994-95 Teeter Notes and to fund an on-going Teeter Program.

The use of long term bonds to fund the Teeter Program is unique to Orange County and is authorized by special State statute. The Teeter program is an alternate secured property tax distribution plan. Normally the secured property taxes actually collected by a County are distributed to taxing agen-

cies (e.g. school districts), resulting in less than 100% of the tax levy being distributed because of delinquencies. Under the Teeter Plan, the County distributes 100% of the levy to the taxing agencies and in exchange receives the right to keep the delinquent taxes, penalties and interest.

The Orange County Special Financing Authority was set up in 1995 to administer the Teeter Plan in Orange County. The penalties and interest collected on tax defaulted properties provide the revenue to pay the debt service on the Teeter Bonds and, if available, surplus revenue is released to the County General Fund. The Board of Directors of the Authority are the members of the Orange County Board of Supervisors.

As of November 30, 2003, \$123,725,000 in principal was outstanding from all five series. The Teeter Bonds will be paid off in 2014.

#### At a Glance:

Total FY 2003-2004 Actual Expenditure + Encumbrance:	40,568,165
Total Final FY 2004-2005 Budget:	73,265,260
Percent of County General Fund:	N/A
Total Employees:	0.00

#### Strategic Goals:

- Make timely debt service payments and provide surplus revenue for the bankruptcy recovery as contemplated in the County's Second Amended Modified Plan of Adjustment.

#### FY 2003-2004 Key Project Accomplishments:

- Made timely debt service payments.

### Budget Summary

#### Plan for Support of the County's Strategic Priorities:

Make annual transfers of surplus cash to the General Fund.

## Final Budget and History:

Sources and Uses	FY 2002-2003 Actual Exp/Rev	FY 2003-2004 Budget As of 6/30/04	FY 2003-2004 Actual Exp/Rev <sup>(1)</sup> At 6/30/04	FY 2004-2005 Final Budget	Change from FY 2003-2004 Actual	
					Amount	Percent
Total Revenues	170,427,311	170,190,637	168,975,085	73,265,260	(95,709,825)	-56.64
Total Requirements	45,236,674	170,190,637	162,383,405	73,265,260	(89,118,145)	-54.88
FBAFBA	125,190,637	0	6,591,681	0	(6,591,681)	-100.00

(1) Amounts include prior year expenditures and exclude current year encumbrances. Therefore, the totals listed above may not match Total FY 2003-04 Actual Expenditure + Encumbrance included in the "At a Glance" section.

Detailed budget by expense category and by activity is presented for agency: O. C. Special Financing Authority Debt Service in the Appendix on page 702.

## 9C1 Major Activities

\* The purpose of these funds is to provide for debt service of bonds issued on behalf of the Assessment Districts.

## 9C1 Funds

Agency Number	Assessment Districts	FY 2004-2005 Appropriations		FY 2004-2005 Revenue	
433	Golden Lantern Reassess. Dist. 94-1 Debt Service	\$	3,299,539	\$	3,299,539
507	Irvine Coast Assess. District 88-1 -Debt Service		17,271,208		17,271,208
516	Assessment Dist 01-1 Ziani Project-Debt Service		1,153,804		1,153,804
525	Assess. Dist. 01-1 Newport Coast IV - Debt Serv.		6,230,908		6,230,908
551	Assess. Dist. 92-1 Newport Ridge - Debt Service		1,279,087		1,279,087

## 9C2 Major Activities

\* The purpose of these funds is to provide for debt service of bonds issued on behalf of the Orange County Development Agency.

## 9C2 Funds

Agency Number	OC Development Agency	FY 2004-2005 Appropriations		FY 2004-2005 Revenue	
172	OCDA Debt Service (Santa Ana Heights)	\$	16,456,081	\$	16,456,081
427	OCDA (NDAPP) - Debt Service		20,963,957		20,963,957

## 9C3 Major Activities

\* The purpose of these funds is to provide for debt service of bonds issued on behalf of the Community Facilities Districts.

## 9C3 Funds

Agency Number	Community Facility Districts	FY 2004-2005 Appropriations		FY 2004-2005 Revenue	
479	CFD 99-1 Series A of 1999 Ladera - Debt Service	\$	4,060,116	\$	4,060,116
482	Special Mello-Roos Reserve		27,616,247		27,616,247
484	Rancho Santa Margarita CFD 86-2 - Debt Service		3,479,488		3,479,488
487	Ladera CFD 2002-01 Debt Service		11,839,336		11,839,336
488	S. Margarita CFD 86-1 (Series 1988) - Debt Serv.		6,498,078		6,498,078
490	Dimensions/Serrano Creek CFD 87-1 - Debt Service		2,270,701		2,270,701
492	Mission Viejo CFD 87-3 (A) - Debt Service		12,538,464		12,538,464
494	Aliso Viejo CFD 88-1 - Debt Service		37,466,156		37,466,156
496	Lomas Laguna CFD 88-2 - Debt Service		533,189		533,189
501	R. Santa Margarita CFD 87-5(A) - Debt Service		2,133,443		2,133,443
503	Portola Hills CFD 87-2(A) - Debt Service		4,913,799		4,913,799
505	Foothill Ranch CFD 87-4 - Debt Service		28,331,852		28,331,852
509	Rancho Santa Margarita CFD 87-5B - Debt Service		5,548,118		5,548,118
511	Baker Ranch CFD 87-6 - Debt Service		2,162,587		2,162,587

## 9C3 Funds

Agency Number	Community Facility Districts	FY 2004-2005 Appropriations	FY 2004-2005 Revenue
513	Coto de Caza CFD 87-8 - Debt Service	5,297,781	5,297,781
515	Santa Teresita CFD 87-9 - Debt Service	1,459,850	1,459,850
517	Rancho Santa Margarita CFD 87-5C - Debt Service	2,756,224	2,756,224
519	Los Alisos CFD 87-7 - Debt Service	3,704,902	3,704,902
521	R. Santa Margarita CFD 87-5D (A) - Debt Service	2,404,429	2,404,429
533	CFD 01-1 Ladera - Debt Service	5,103,486	5,103,486
547	CFD 00-1 (Series A of 2000) Ladera -Debt Service	5,027,030	5,027,030
549	R. S. Marg. CFD 87-5E (A of 1993) - Debt Service	2,629,334	2,629,334
555	CFD 2003-1 Ladera Debt Service	9,550,000	9,550,000

